

NICHIIGAKKAN CO., LTD.

Financial Results Briefing Document

for the 1H of the Fiscal Year Ending March 31, 2017

November 15, 2016

Financial Results Highlights

(Unit: million yen)

	FY2016 2Q	FY2017 2Q	
	Amount	Amount	Change
Net Sales	136,575	137,751	0.9%
Operating Income	▲ 473	815	-
%	▲0.3%	0.6%	
Ordinary Income	▲ 1,701	▲ 1,110	-
%	1.2%	▲0.8%	
Profit attributable to owners of parent	2,296	▲ 1,240	-
%	▲1.7%	▲0.9%	

1H Financial Result Highlights

Sales reached a new record high (¥137,751 million, up ¥1,176 million year on year)

- Sales in the Long-term Care segment increased (led by day service, specified facilities, etc.)
- The increased sales were driven by strategic investment businesses (contribution of the Child Care and China businesses)
- The Child Care business achieved a significant increase in sales.

Sales growth in Child
Care segment:

up **72.2%**

The operating result shifted to profit (¥815 million yen, up ¥1,288 million yen year on year)

- Revenue in the Long-term Care segment increased.
Home care: ¥822 million; Facility Care: ¥488 million; Education: ¥242 million
- The management division was streamlined (SG&A expenses reduced by ¥645 million).
SG&A expenses: ¥24,629 million (¥25,275 million in the same period of the previous year)
- Free cash flow become positive due to increased profit.
Free cash flow: ¥144 million (- ¥1,733 million in the same period of the previous year)

Increased profit in
Long-term Care
segment:

¥ **1,552** million

Consolidated Net Sales and Operating Income by Segment

(Unit: million yen)

Net Sales	FY2016 2Q	FY2017 2Q	Change
Medical Support	54,396	54,068	▲0.6%
Long-term Care	71,768	72,004	0.3%
Health Care	1,949	1,802	▲7.5%
Education	6,346	6,347	0.0%
Child Care	1,486	2,560	72.2%
China	712	949	33.2%
Others	515	433	▲16.0%
Elimination	▲ 600	▲ 414	-
Total	136,575	137,751	0.9%

(Unit: million yen)

Operating Income	FY2016 2Q	FY2017 2Q	Change (%)
Medical Support	3,831	3,641	▲5.0%
Long-term Care	3,383	4,935	45.9%
Health Care	132	218	65.3%
Education	▲ 2,862	▲ 2,405	-
Child Care	▲ 460	▲ 497	-
China	▲ 410	▲ 722	-
Others	140	139	▲0.2%
Elimination	▲ 4,227	▲ 4,494	-
Total	▲ 473	815	-

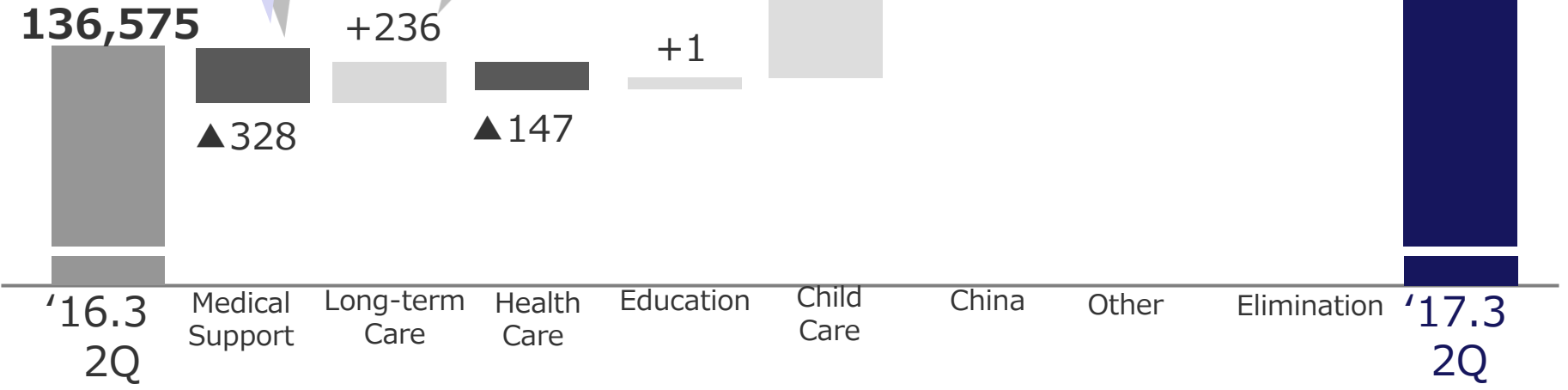
Major Changes in Net Sales

Year on year
Increase in sales of
1,176million yen

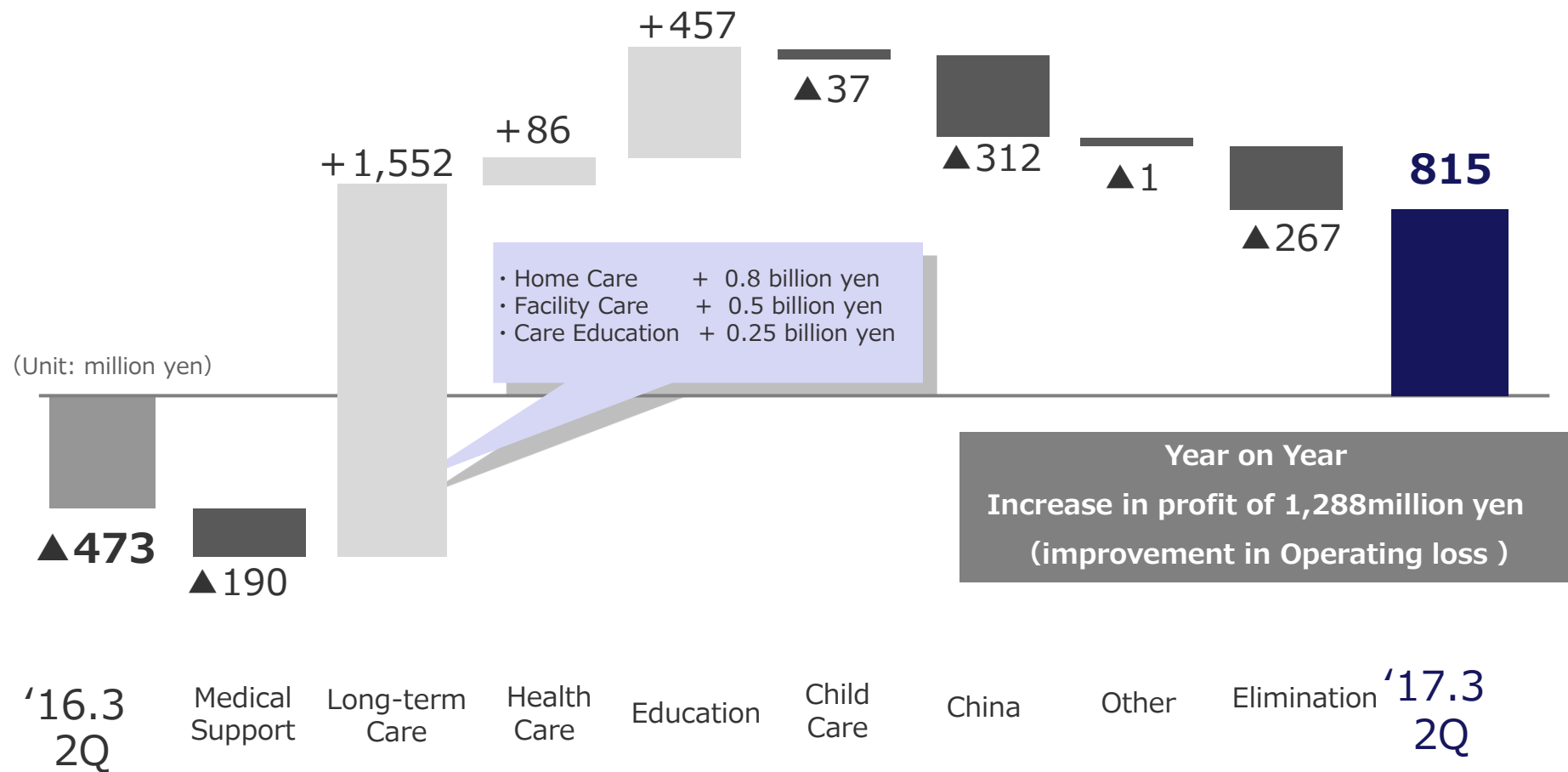
- Hospitals +0.15 billion yen
- Clinics -0.35 billion yen
- Medical Education -0.15 billion yen

- Home Care -1.1 billion yen
- Facility Care +1.35 billion yen
- Care Education ±0 billion yen

(Unit: million yen)



Major Changes in Operating Income

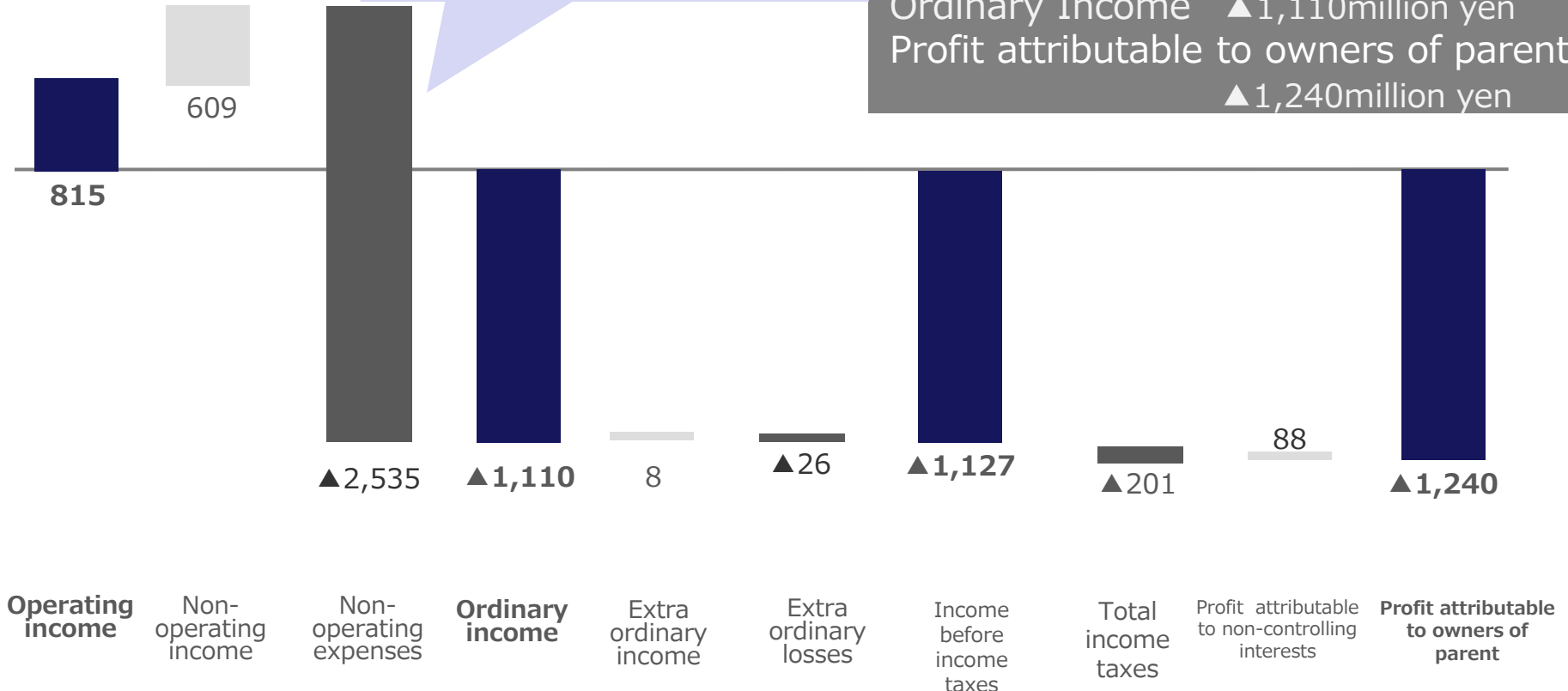


Ordinary income and Profit attributable to owners of parent

(Unit : million yen)

- Interest expenses 1,975million yen
- Rent expenses 18million yen
- Foreign exchange losses 452million yen
- Other 90million yen

[FY17.3 2Q]
 Ordinary Income ▲1,110million yen
 Profit attributable to owners of parent ▲1,240million yen



Summary of the balance sheet

(Unit : million yen)

	End of March 2016	End of Sep 2016	Difference	End of Sep 2015
Current assets	63,181	61,915	▲1,266	61,906
Fixed assets	120,988	126,600	5,612	126,833
Total assets	184,170	188,516	4,346	188,740
Current liabilities	68,171	69,786	1,615	60,057
Non-current liabilities	77,896	82,385	4,489	75,450
Total liabilities	146,068	152,171	6,103	135,508
Total net assets	38,101	36,344	▲1,757	53,232
Total liabilities and net assets	184,170	188,516	4,346	188,740

Changes in Cash flow

Unit : million yen)

	FY2016.3 2Q	FY2017.3 2Q	Difference
Cash flows from Operating activities	▲ 1,028	2,854	1,826
Cash flows from Investing activities	▲ 2,761	▲ 2,709	▲ 51
Cash flows from Financial activities	1,718	▲ 1,387	▲ 3,105
Free cash flow	▲ 1,733	144	1,877
Cash and cash equivalents at end of year	12,599	13,171	572

Revision of Full-year Plan

- The net sales forecast has been revised based on the result for the first half of the fiscal year.
- Profit forecasts remain unchanged (some segments revised their operating income forecast).

	2016.3 Amount	2017.3 Previous	2017.3 Revised	Revised Amount	2017.3 2Q Amount
Net Sales	273,583	294,700	282,000	△12,700	137,751
Operating Income	△785	4,800	4,800	0	815
Ordinary Income	△3,629	1,300	1,300	0	△1,110
Profit attributable to owners of parent	△15,995	500	500	0	△1,240

Segment net sales revised

The forecasts for the Medical Support and Long-Term Care segments have been revised.

(Unit : million yen)

Net Sales	FY2016.3 Amount	FY2017.3 Forecast(Previous)	FY2017.3 Forecast(Revised)	Revised Amount
Medical Support	108,787	115,000	108,200	▲ 6,800
Long-term Care	143,040	150,300	144,400	▲ 5,900
Health Care	4,062	4,900	4,900	0
Education	13,003	15,600	15,600	0
Child Care	3,433	5,100	5,100	0
China	1,604	4,000	4,000	0
Other	943	1,000	1,000	0
Elimination	▲ 1,291	▲ 1,200	▲ 1,200	0
Total	273,583	294,700	282,000	▲ 12,700

Segment operating income revised

The forecasts for the Medical Support, Long-Term Care, and Education segments have been revised.

(Unit : million yen)

Operating Income	FY2016.3 Amount	FY2017.3 Forecast(Previous)	FY2017.3 Forecast(Revised)	Revised Amount
Medical Support	7,691	8,100	7,600	▲ 500
Long-term Care	6,809	8,800	9,700	900
Health Care	568	800	800	0
Education	▲ 5,677	▲ 3,600	▲ 4,000	▲ 400
Child Care	▲ 883	▲ 500	▲ 500	0
China	▲ 1,033	▲ 900	▲ 900	0
Other	274	300	300	0
Elimination	▲ 8,533	▲ 8,200	▲ 8,200	0
Total	▲ 785	4,800	4,800	0

The dividend forecast

A dividend of 22 yen per share is expected.

Forecast for FY2017 : ¥22/Dividends per share
(¥11 interim, ¥11 year-end)



For the Next Breakthrough



Review of First Half of FY Ending March 2017



- **Penetration of profit-focused strategy based on area management function**

- Expansion of the executive officer system based on five-branch structure (28 executive officers)
- Improvement of company-wide management operations



- **Growth recovery of Long-term Care segment by acquiring human resources, etc.**

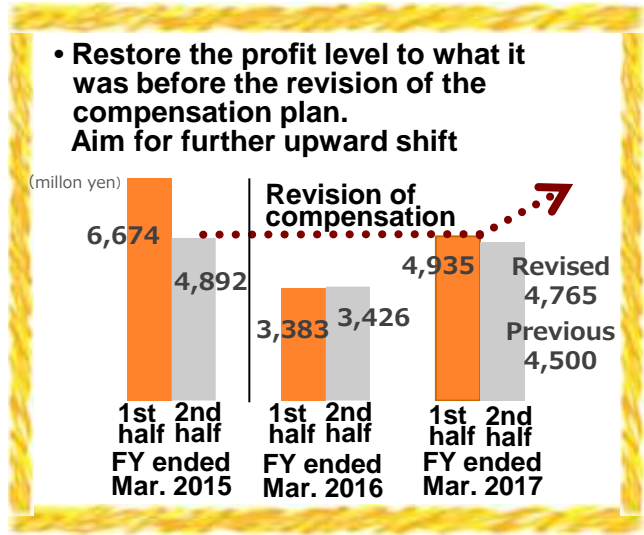
- **Acceleration of growth of strategic investment business**

- Achieving profit in the language business at an early stage and building the Nichii brand in the China business

For Growth Recovery of Long-term Care Segment

Continuous implementation of profit-growth strategy

- Immediately share information about successful cases
- Improve personnel placement among different services
- Improve the profit management method in each office (increase employee productivity)



Improvements made during the first half

Directions of changes in operating income

Care Plan	Home Care	Home-visit Bathing	Disability Support	Day Care	Welfare Goods	Home Nursing	Small-scale, multi-function	Group Nursing Home	Specified Facilities
↗	↘	↗	↗	↗	↗	↗	↗	↘	↗

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Number of service segments targeted for profit growth

COCO Juku Sales Growth Strategy

Pursuing a customer-oriented approach to increase the number of students

Accessibility

- Promote the use of certification courses
- Promote franchise development

Learning facilitation

- Increase learning opportunities (Promote double-learning through classroom and online lessons)
- Develop original textbooks

Familiarity

- Hire native speakers of foreign languages from Asia
- Hold open-house events



**Guarantee customer satisfaction
(customer satisfaction guarantee program)**



COCO Juku Junior: Promotion Strategy

Development of effective and efficient regional communication

Periodically hold “**Open House,**” a regional cultural exchange event

[Open House]

- Held periodically at all schools
- Involves activities including seasonal events
- Local people in the region are welcomed to join the students
- Promotes the joy and importance of English communication through cultural experience with native speakers of English
- Aims to increase the recognition of COCO Juku based on regional cultural exchanges

< Open House held on October 29 >



【 Global 】 China Business Consolidation progress

(Unit : millions or Yen)

	Company	School	P L	B S
1	廣州市正祥和家政服務有限公司		13 companies and 4 school corporation were consolidated.	16 companies and 5 school corporation were consolidated
2	北京三傑聖一人力資源有限公司			
3	瀋陽日医助尔家庭服務有限公司			
4	濟南仁德家庭服務有限公司			
5	常州金蓓蕾健康諮詢服務有限公司			
6	深圳市中家家庭服務有限公司			
7	深圳市中家華傭家政服務有限公司			
8	深圳市中家星級家政服務有限公司			
9	深圳中家職業技能培訓學校	●		
10	杭州天使家政服務有限公司			
11	大連九鼎互聯科技發展有限公司			
12	武漢尔邦家政有限公司			
13	廣西康之橋護理服務有限公司			
14	南寧康之橋職業培訓學校	●		
15	欽州康之橋職業培訓學校	●		
16	安徽賽菲家庭服務管理有限公司		※3Q (expected)	
17	合肥賽菲職業培訓學校	●		
18	梅州客家大嫂家政服務有限公司			
19	梅州市華傭職業培訓學校	●		
20	日医 (珠海) 健康服務有限公司			
21	日医 (仏山) 健康服務有限公司			

	2Q (Jan.-Jun.)
Net Sales	949
Operating Income	▲722
Amortization of goodwill (5-year amortization)	177

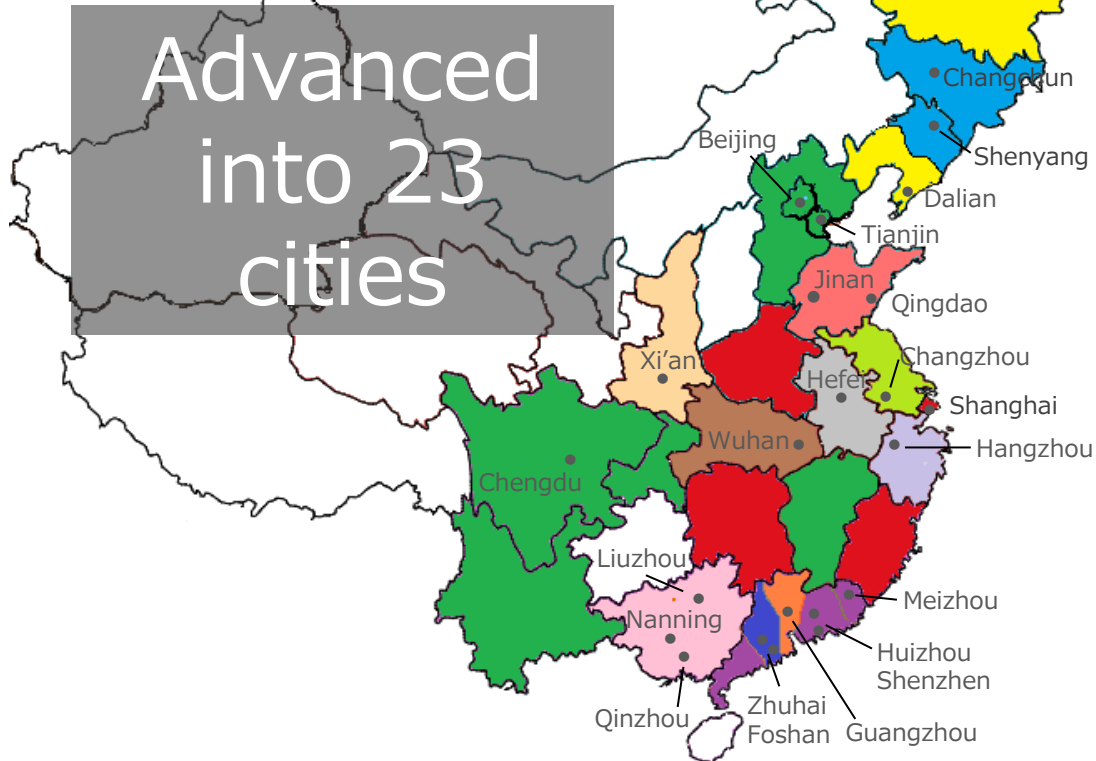
Includes wholly-owned subsidiaries of the Nichii Group

(Unit : millions or Yen)

	End of Jun, 2016
Total Assets	6,140
Net assets	2,706
Goodwill	1,414

List of Cities Where Nichii's China Business is Established

* Includes non-consolidated subsidiaries



Display Color	Name of Company	Name of city	
		Already	Plans
Green	北京三傑聖一	Beijing/Tianjin/Chengdu	Langfang/Taiyuan/Chongqing/Kunming
Blue	瀋陽日医助尔	Shenyang/Changchun	
Red	濟南仁德	Jinan/Qingdao	Weihai/Yantai/Weifang
Yellow	大連九鼎互聯	Dalian	Harbin
Light Green	常州金蓓蕾	Changzhou	Suzhou/Nanjing/Wuxi/Nantong/Yangzhou/Xuzhou
Light Blue	杭州天使	Hangzhou	Ningbo/Shaoxing/Huzhou
Brown	武漢尔邦	Wuhan	Jingzhou/Huangshi/Ezhou
Grey	安徽賽菲	Hefe	
Light Orange	西安海鑫	Xi'an	
Purple	深圳市中家	Shenzhen/Huizhou/Meizhou	
Orange	廣州市正祥和	Guangzhou	
Pink	廣西康之橋	Nanning/Liuzhou/Qinzhou	Guilin
Dark Blue	日医廣州	Zuhai/Foshan	Zhongshan
Red	中福日医	Shanghai	Xiamen/Fuzhou/Zhengzhou/Changsha

Growth Opportunities from Next Fiscal Year (1)



Establishment of employee child care centers using company-led child care business

Located in proximity to branches with the aim of opening in April 2017

Provides language lessons in cooperation with COCO Juku Junior



Number of applications for establishment

33 centers

* As of November 15

[Characteristics of company-led child care business]

- Users can use the facilities freely based on direct contracts with the child care centers.
- Can be developed separately from child care centers planned and developed by local governments.
- Subsidies for operational and development expenses are available, which can reduce the expenses paid by companies.





The plenary session of the House of Representatives passed two bills related to increasing the number of foreign workers in long-term care.

Foreign technical intern training bill



- Addition of technical intern training in long-term care industry.
- Extension of training period from up to three years to five years.
- Establishment of a new organization that oversees organizations and companies providing training programs. (Prevention of violation of human right of trainees)

Bill for revision of Immigration Control and Refugee Recognition Act



- Establishment of resident status for foreign long-term care givers who are Certified Care Workers with Japan's national certification.
- Addition of long-term care to the types of jobs eligible for the Technical Intern Training Program providing on-the-job training.

Growth Opportunities from Next Fiscal Year (3)



Contribution to inbound and outbound medical services and long-term care Contribution to the China, Long-term Care, and Medical Support businesses from the next fiscal year

Projects publicly offered by the Ministry of Economy, Trade and Industry (1)

Substantive research for building a regional comprehensive care system in China

A consortium with Paramount Bed (China) Co., Ltd., Zhangzhou Leatai Medical Instruments Co., Ltd., and P2P Bank Co., Ltd. collects information used for Japan-based long-term care business operators to consider entry by demonstrating the Japanese style of the long-term care service model in the Chinese district and promotes the package export of regional comprehensive care systems. The period is from October 2016 to February 2017.

Projects publicly offered by the Ministry of Economy, Trade and Industry (2)

Fujita Health University Hospital project to promote the internationalization of medical services to increase the acceptance of foreign patients

Verification of a scheme model for the development of comprehensive care systems including the increased acceptance of patients traveling from China, follow-ups for long-term care after returning home, etc. The period is from June 2016 to March 2017.



Government considering granting approval for Mixed long-term care (Simultaneity used of insured and non-insured long-term care Services) in Tokyo strategic districts

- **“The government is considering granting approval for mixed long-term care provided in Tokyo special districts.”** (Morning edition of The Nikkei on Nov. 10, 2016)
- **“Tokyo governor Koike announces plans to approve mixed long-term care in special districts.”** (Morning edition of The Nikkei on Nov. 11, 2016)

[Expected effect]

- Increased user convenience, increased service quality
- Improved treatment of care workers based on increased revenue of business operators



All performance targets and other forecasts, including numbers of contracts and users, and goals, contained in this document are based on information currently available to the Nichii Gakkan Group and will be affected by uncertain factors, including economic circumstances, the relaxation of regulations, and employment conditions. Please note that actual results, numbers of contracts and users, and other data may be different from the forecasts.

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